

**Ernst & Young LLP**  
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Suite 1000  
901 East Cary Street  
Richmond, Virginia 23219  
Tel: 804 344 6000  
www.ey.com

November 10, 2008

Mr. Jeff McDonald  
Tax Director  
Circuit City Stores, Inc.  
9950 Mayland Drive  
Richmond, VA 23233

## **Tax Services Agreement**

Dear Jeff:

Thank you for choosing Ernst & Young LLP ("we" or "E&Y") to perform tax services requested by Circuit City Stores, Inc. (the "Client" or "Company"). This letter, together with the attached Exhibits and Notice, constitutes the Tax Services Agreement ("Agreement") between the Client and E&Y, for the provision of tax services subsequent to the Company filing a Chapter 11 petition on or around November 10, 2008 with the United States Bankruptcy Court for the Eastern District of Virginia (the "Bankruptcy Court").

We have agreed to provide such services contingent upon the Bankruptcy Court's approval of our retention in accordance with the terms and conditions that are set forth in this Agreement.

This Agreement is effective as of the date of Client's filing a Chapter 11 of the United States Code petition in the Bankruptcy Court.

### **SCOPE OF SERVICES**

Subject to the provisions of this Agreement, we will provide to the Client the tax services (the "Services"), which may be modified from time to time by our mutual written agreement and approval by the Bankruptcy Court.

For each project, the Client and E&Y shall enter into a Statement of Work that describes the specific Services to be performed for a project and the applicable fees for such project, subject to the approval of the Bankruptcy Court. The Statement of Work will be executed by the parties, will be subject to the terms and conditions of this Agreement and will be deemed incorporated herein and shall be contingent upon the Bankruptcy Court approving E&Y's retention in accordance with the terms and conditions that are set forth in this Agreement and the applicable Statement of Work. To the extent that a Statement of Work conflicts with the terms provided herein, the separate Statement of Work will be governed by its own terms, contingent upon the Bankruptcy Court's approval.



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Circuit City Stores, Inc.

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We will perform all services under this Agreement in accordance with applicable standards established by the American Institute of Certified Public Accountants, including its Statements on Standards for Tax Services.

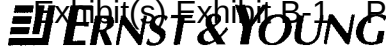
## **FEES AND EXPENSES**

Fees for the Services will be billed based on hours spent at agreed-upon hourly billing rates that will be updated annually on July 1 and that are subject to Bankruptcy Court approval. The hourly billing rates applicable to this Agreement are as set forth in each applicable Statement of Work.

We will request payment of our fees in accordance with the United States Bankruptcy Code, the Federal Rules of Bankruptcy Procedure, the Local Rules for the United States Bankruptcy Court for the Eastern District of Virginia and any relevant administrative orders. In addition, we will request reimbursement of our actual expenses related to this Agreement, as well as fees for any time we may incur in considering or responding to discovery requests or participating as a witness or otherwise in any legal, regulatory, or other proceeding as a result of our performance of these services. In addition, the Company shall reimburse E&Y for its expenses including travel, meals, accommodations, telephone, facsimile, overnight mail, messenger services, etc. E&Y may receive rebates in connection with certain purchases, which are used to reduce overhead charges that E&Y would otherwise pass on to its clients. E&Y will submit its invoices as the work progresses and payment of them will be made upon receipt, or as quickly as the Bankruptcy Code, the Bankruptcy Rules, local bankruptcy rules for the Eastern District of Virginia and any relevant administrative orders allow.

We will submit an itemized and detailed billing statement and we will request payment of our fees in accordance with the United States Bankruptcy Code, the Federal Rules of Bankruptcy Procedure and the Local Rules for the United States Bankruptcy Court for the Eastern District of Virginia and any relevant administrative orders. The Company shall also pay all applicable taxes, including VAT, incurred in connections with the delivery of the Services or the Reports (except for taxes imposed on E&Y's income).

E&Y acknowledges that payment of its fees and expenses hereunder is subject to (i) the jurisdiction and approval of the Bankruptcy Court under Sections 330 and 331 of the Bankruptcy Code, any order of the Bankruptcy Court approving the retention of E&Y and the U.S. Trustee Guidelines, (ii) any applicable fee and



Mr. Jeff McDonald  
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expense guidelines and/or orders and (iii) any requirements governing interim and final fee applications.

## **OTHER MATTERS**

The Company acknowledges that no services shall be performed pursuant to this Agreement that: (a) are prohibited under the SEC, PCAOB or AICPA rules or (b) would impair E&Y's independence or violate the Securities Exchange Act of 1934, as amended.

Any controversy or claim with respect to, in connection with, arising out of, or in any way related to this Agreement or the services provided hereunder (including any such matter involving any parent, subsidiary, affiliate, successor in interest or agent of the Company or its subsidiaries or of E&Y) shall be brought in the Bankruptcy Court or the applicable district court if such district court withdraws the reference and the parties to this Agreement, and any and all successors and assigns thereof, consent to the jurisdiction and venue of such court as the sole exclusive forum (unless such court does not have jurisdiction and venue of such claims or controversies) for the resolution of such claims, causes of action or lawsuits. The parties to this Agreement, and any and all successors and assigns thereof, hereby waive trial by jury, such waiver being informed and freely made. If the Bankruptcy Court or the district court upon withdrawal of the reference does not have or retain jurisdiction over the foregoing claims or controversies, the parties to this Agreement and any and all successors and assigns thereof, agree to submit first to nonbinding mediation; and, if mediation is not successful, then to binding arbitration, in accordance with the dispute resolution procedures set forth in Exhibit B to this Agreement. Judgment on any arbitration award may be entered in any court having proper jurisdiction. The foregoing is binding upon the Company, E&Y and any all successors and assigns thereof.

This Agreement, including all Exhibits hereto and any Statements of Work executed hereunder, constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all agreements and understandings between the parties with respect to the subject matter hereof made prior to the date hereof. There are no representations, warranties, understandings or agreements relating to the subject matter hereof which are not fully expressed in this Agreement. No amendment, modification, waiver or discharge of this Agreement shall be valid unless in writing and signed by an authorized representative of the party against whom such amendment,



Mr. Jeff McDonald  
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modification, waiver or discharge is sought to be enforced, and, where required, Bankruptcy Court approval. Except as expressly provided herein, this Agreement does not modify the terms or provisions of any engagement letter or agreement for other professional services executed prior to the date noted below.

By agreement to the provision of the Services, E&Y is not providing a guarantee to the Client that E&Y's performance of those services pursuant to the terms and conditions set forth in the Agreement will guarantee the Client's successful reorganization under Chapter 11.

Please sign this letter in the space provided below to indicate your agreement with these arrangements and return it to Chip Phillips at your earliest convenience. If you have any questions about any of these materials, please do not hesitate to contact Chip Phillips so that we can address any issues you identify before we begin to provide any services.

Thanks again for your selection of our firm.

Very truly yours,

A stylized, handwritten signature of 'Ernst &amp; Young' in a cursive script.

AGREED TO BY:

Circuit City Stores, Inc.

By: \_\_\_\_\_

Mr. Jeff McDonald, Tax Director

Attachments

**EXHIBIT A: Standard Terms and Conditions for Tax Services**

1. Independent Contractor. E&Y will provide tax services to Client (the "Services") from time to time described in Statements of Work (each, an "SOW") solely as an independent contractor. Neither party shall have the right, power or authority to obligate or bind the other in any manner.
2. Unexpected Events. If changes to the scope or timing of any Services are required because of a change in applicable law or professional standards or events beyond a party's reasonable control, but not involving its fault or negligence (any of which, a "Change"), the parties agree to adjust the fees for, and/or timing of, the Services appropriately and, if necessary, Client will obtain Audit Committee and Bankruptcy Court approval of such adjustments. Each party shall be excused from default or delay in the performance of its obligations (other than payment obligations) under this Agreement to the extent caused by a Change.
3. Client Data and Information.
  - A. Client will timely provide, or cause to be provided, to E&Y all data, information and resources reasonably required by E&Y to perform the Services ("Client Data"). All Client Data shall be, to the best of Client's knowledge, true, correct and complete in all material respects and will not omit any material fact that would make any data or information provided to E&Y false or misleading. E&Y may rely upon the Client Data and will not evaluate or have any responsibility to verify independently the accuracy, completeness, or sufficiency of any Client Data for any purposes.
  - B. E&Y may disclose Client Data, including tax return information and other confidential information, to any affiliate of E&Y, any other member of the global Ernst & Young network or any of their respective affiliates (all such members, including E&Y and its affiliates, collectively, the "E&Y Entities," and any of them, an "E&Y Entity") and their respective employees, partners, consultants and contractors for the purpose of rendering the Services.
4. Reliance and Disclosure. All E&Y tax services and any advice, reports, materials, presentations, or other communications (collectively, "Advice") in connection therewith are provided solely for the benefit and use of Client and (other than filings provided to tax authorities) may not be relied upon by anyone else for any purpose without E&Y's prior written consent. Client (and, if applicable, its officers, directors, employees, agents and advisors) may disclose to any person or entity, without limitation, the tax treatment and tax structure of any transaction or any other tax position with respect to which E&Y provides tax Services and any Advice in connection therewith. In the event Client discloses such Advice to a third party, Client shall inform the third party that the third party cannot rely on the Advice for any purpose without E&Y's prior written consent. Client may not rely on any draft Advice.
5. Technical Elements. In performing the Services, E&Y may use certain data, modules, components, designs, utilities, subsets, objects, program listings, tools, models, methodologies, programs, systems, analysis frameworks, leading practices, and specifications developed or used by E&Y or its licensors, or to which E&Y otherwise has rights, including enhancements or improvements developed in the course of performing the Services (collectively, "Technical Elements"). Client may use the Technical Elements owned by E&Y or its licensors solely to the extent necessary for Client to use the Advice as permitted by this Agreement.
6. Limitations.
  - A. E&Y shall be solely responsible for the performance of the Services and all of the other liabilities and obligations of E&Y under this Agreement, including any SOW, whether or not performed, in whole or part, by E&Y, any other E&Y Entity, or any subcontractor or personnel of any E&Y Entity. Client and its affiliates or other persons or entities for or in respect of which

**EXHIBIT A: Standard Terms and Conditions for Tax Services**

any of the Services are provided shall have no recourse, and shall bring no claim, against any E&Y Entity other than E&Y, or against any subcontractors, members, shareholders, directors, officers, managers, partners or employees of E&Y or any other E&Y Entity, or any of the assets of any thereof, in connection with the performance of the Services or otherwise under the Agreement or any SOW.

- B. Neither party will be liable to the other (or to any affiliate thereof or any other person or entity for or in respect of which any of the Services are provided), for any consequential, incidental, indirect, punitive or special damages (including loss of profits, data, business or goodwill) in connection with the performance of the Services or otherwise under this Agreement, regardless of whether such liability is based on breach of contract, tort, strict liability, breach of warranty, failure of essential purpose or otherwise, and even if the first party is advised of the likelihood of such damages.
- C. To the fullest extent permitted by applicable law (including, without limitation, for these purposes, the rules and interpretations of the AICPA and the U.S. Securities and Exchange Commission), and except in the case of E&Y's willful misconduct, the total aggregate liability of E&Y to Client (and to any affiliate thereof or any other person or entity for or in respect of which any of the Services are provided) in connection with the performance of the Services shall be limited to the fees actually paid to E&Y in respect of the Services directly relating to and forming the basis of Client's claim, regardless of whether liability is based on breach of contract, tort, strict liability, breach of warranty, failure of essential purpose or otherwise.
- D. To the fullest extent permitted by applicable law, the Company shall indemnify and hold harmless the E&Y, its affiliates and the other E&Y Entities and their respective assignees, subcontractors, members,

shareholders, directors, officers, managers, partners, employees, agents and consultants (collectively, "E&Y Persons"), from and against all (A) claims and causes of action, pending or threatened, of any kind (whether based on contract, tort or otherwise), by third parties, including any affiliate of the Company ("Company Indemnified Claims"), related to or arising out of the use or reliance on any Advice or any portion, abstract or summary thereof by any person or entity that obtains access to it, directly or indirectly, from, through or at the request of the Company and (B) liabilities, losses, costs, expenses (including, without limitation, reasonable outside attorneys' fees and the allocable costs of in-house counsel) and damages (collectively, "Losses") suffered or incurred by any of the E&Y Persons in connection with any Company Indemnified Claims, provided however, that the Company shall have no indemnification obligation with regard to Company Indemnified Claims or Losses to the extent that a court of competent jurisdiction finally determines that such Company Indemnified Claims or Losses resulted from E&Y's own gross negligence or willful misconduct.

- 7. Termination. This Agreement may be terminated at any time by the Company or E&Y, but in any event this Agreement will expire upon the effective date of the Company's confirmed plan of reorganization, or liquidation of the Company's assets under Chapter 11 or 7 of Title 11 of the United States Code, or otherwise. The provisions of this Agreement relating to "Fees and Expenses" and "Other Matters" will remain operative and in full force and effect regardless of any termination or expiration of this Agreement and shall survive completion of the Company's bankruptcy whether through a confirmed plan of reorganization under Chapter 11 of Title 11 of the United States Code, liquidation of the Company's assets under Chapter 7 of Title 11 of the United States Code, or otherwise. If any portion of this Agreement is held to be void, invalid, or otherwise unenforceable, in whole or in part, the

**EXHIBIT A: Standard Terms and Conditions for Tax Services**

remaining portions of this Agreement shall remain in full force and effect.

8. Information Requests. If Client requests E&Y, or if E&Y is required by government regulation, subpoena or other legal process, to produce documents or personnel as witnesses with respect to the Services or this Agreement, Client shall, so long as E&Y is not a party to the proceeding in which the information is sought, reimburse E&Y at its standard billing rates for its professional time and expenses, as well as reasonable attorneys' fees and expenses, incurred in responding to such requests.

9. Use of Names. Neither party shall use, disclose or publicize the other party's name, trademark, service mark or logo in connection with the Services without the prior written consent of the other party, provided, that E&Y may use Client as a reference for the Services or in a list of clients for which the Services have been provided.

10. Miscellaneous.

A. This Agreement merges and supersedes all prior and contemporaneous communications about the Services and the other matters contemplated by this Agreement. This Agreement, including each SOW, may be modified only in writing, signed by both parties and approved by the Bankruptcy Court. If any portion of this Agreement, including any SOW, is held to be void, invalid, or otherwise unenforceable, the other provisions shall not be affected.

B. None of a party's rights or obligations under this Agreement may be assigned, in whole or in part, by either party without the prior written consent of the other party, provided, that E&Y may assign any of its rights or obligations under this Agreement to, and may perform the Services together with, an affiliate of E&Y or any other E&Y Entity, subject to the approval of the Bankruptcy Court. The provisions of this Agreement shall operate for the benefit of, and may be enforced by, any assignee or

subcontractor that is providing any of the Services in accordance herewith.

C. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York, as if it were made and fully performed in New York by New York residents.

D. Client represents and warrants to E&Y that (1) this Agreement has, if necessary, been considered and approved by Client's Audit Committee, and (2) the person signing this Agreement, or any SOW, is expressly authorized to execute it on behalf of, and to bind, Client, its affiliates and any other persons or entities for whose benefit any of the Services are provided.



## **EXHIBIT B: Dispute Resolution Procedures**

### **Mediation**

A party shall submit a dispute to mediation by written notice to the other party or parties. The mediator shall be selected by the parties. If the parties cannot agree on a mediator, the International Institute for Conflict Prevention and Resolution ("CPR") shall designate a mediator at the request of a party. Any mediator must be acceptable to all parties and must confirm in writing that he or she is not, and will not become during the term of the mediation, an employee, partner, executive officer, director, or substantial equity owner of any E&Y audit client.

The mediator shall conduct the mediation as he/she determines, with the agreement of the parties. The parties shall discuss their differences in good faith and attempt, with the mediator's assistance, to reach an amicable resolution of the dispute. The mediation shall be treated as a settlement discussion and shall therefore be confidential. The mediator may not testify for either party in any later proceeding relating to the dispute. The mediation proceedings shall not be recorded or transcribed.

Each party shall bear its own costs in the mediation. The parties shall share equally the fees and expenses of the mediator.

If the parties have not resolved a dispute within 90 days after written notice beginning mediation (or a longer period, if the parties agree to extend the mediation), the mediation shall terminate and the dispute shall be settled by arbitration. In addition, if a party initiates litigation, arbitration, or other binding dispute resolution process without initiating mediation, or before the mediation process has terminated, an opposing party may deem the mediation requirement to have been waived and may proceed with arbitration.

### **Arbitration**

The arbitration will be conducted in accordance with the procedures in this document and the CPR Rules for Non-Administered Arbitration ("Rules") as in effect on the date of the Agreement, or such other rules and procedures as the parties may agree. In the event of a conflict, the provisions of this document will control.

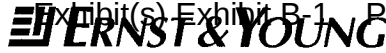
The arbitration will be conducted before a panel of three arbitrators, to be selected in accordance with the screened selection process provided in the Rules. Any issue concerning the extent to which any dispute is subject to arbitration, or concerning the applicability, interpretation, or enforceability of any of these procedures, shall be governed by the Federal Arbitration Act and resolved by the arbitrators. No potential arbitrator may be appointed unless he or she has agreed in writing to these procedures and has confirmed in writing that he or she is not, and will not become during the term of the arbitration, an employee, partner, executive officer, director, or substantial equity owner of any E&Y audit client.

The arbitration panel shall have no power to award non-monetary or equitable relief of any sort or to make an award or impose a remedy that (i) is inconsistent with the agreement to which these procedures are attached or any other agreement relevant to the dispute, or (ii) could not be made or imposed by a court deciding the matter in the same jurisdiction.

Discovery shall be permitted in connection with the arbitration only to the extent, if any, expressly authorized by the arbitration panel upon a showing of substantial need by the party seeking discovery.

All aspects of the arbitration shall be treated as confidential. The parties and the arbitration panel may disclose the existence, content or results of the arbitration only in accordance with the Rules or applicable professional standards. Before making any such disclosure, a party shall give written notice to all other parties and shall afford them a reasonable opportunity to protect their interests, except to the extent such disclosure is necessary to comply with applicable law, regulatory requirements or professional standards. The result of the arbitration shall be binding on the parties, and judgment on the arbitration award may be entered in any court having jurisdiction.





### Tax Services Notices

1. Under Section 5079(a)(5) of the California Business and Professions Code and the regulations thereto, E&Y is required to inform its clients that in some circumstances, non-CPA personnel may participate in the performance of the Services.
2. In accordance with AICPA professional standards and the Financial Modernization Act of 1999, E&Y provides the following Privacy Policy Statement: E&Y considers all nonpublic information about its clients to be confidential, including personal and financial information provided by its clients or by others, as well as information E&Y generates on behalf of its clients. E&Y does not disclose confidential client information to unaffiliated third parties, other than E&Y Entities and their contractors or consultants in connection with the performance of the Services, except as permitted by law or professional obligations, without the client's consent. E&Y personnel, contractors and consultants working under E&Y's supervision are required to observe E&Y's policies concerning confidential client information and E&Y employs security systems designed to protect against unauthorized access to and use of confidential information.
3. Under AICPA professional standards, E&Y owns all working papers prepared by it to document, in accordance with E&Y policy and professional obligations, performance of the Services, and E&Y may retain, in confidence, copies of tax returns, Advice and other documents prepared by it.
4. E&Y may receive rebates in connection with certain purchases, which are used to reduce charges that E&Y would otherwise pass on to its clients.



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November 10, 2008

Mr. Jeff McDonald  
Tax Director  
Circuit City Stores, Inc.  
9950 Mayland Drive  
Richmond, VA 23233

### Statement of Work #1 - Routine Tax Advice

Dear Jeff:

This Statement of Work ("SOW") is governed by and subject to the terms and conditions of the Tax Services Agreement dated November 10, 2008 (the "Agreement") between Circuit City Stores, Inc. (the "Company" or "Client") and Ernst & Young LLP ("E&Y"), which was executed in connection with the Company filing a Chapter 11 petition on or around November 10, 2008 with the United States Bankruptcy Court for the Eastern District of Virginia (the "Bankruptcy Court"), and describes certain tax services that E&Y will perform for the Company during the Company's Chapter 11 bankruptcy. Unless modified by this SOW, the terms and conditions of the Agreement continue to apply. Capitalized terms used, but not defined, in this SOW have the meanings set forth in the Agreement.

This SOW regards our engagement to provide to Client routine tax advice and assistance as requested by Client's tax department when such projects are not covered by a separate SOW and do not involve any significant tax planning or projects ("on-call tax advisory services").

### Engagement Team

Chip Phillips (Partner) and Jon Wilson (Senior Manager) will lead the E&Y team in providing the tax services. If either of these individuals ceases to provide tax services to the Company pursuant to the Agreement, E&Y will so advise the Company and, if that person is replaced, provide the Company with the name of that professional's replacement. Other staff, not identified herein, may be utilized as required to conduct our work in the most efficient manner possible.

### Scope of Services

This SOW is intended to be used to respond to basic tax questions and assignments that are expected, at the beginning of the project, to involve total

Mr. Jeff McDonald  
Circuit City Stores, Inc.

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professional time not to exceed (with respect to the specific project) \$10,000 in professional fees.

E&Y will provide the following tax advisory services to Client, contingent upon the Bankruptcy Court's approval of our retention in accordance with the terms and conditions that are set forth in the Agreement (inclusive of this SOW):

- Provision of assistance to the Company's tax department for routine small projects when such projects are not covered in a separate SOW to the Agreement.
- Assistance with tax issues, assistance with transactional issues, or assistance to the Company in connection with its dealings with tax authorities.
- Specific tasks that may be involved in connection with the Services include participation in meetings and telephone calls with Company personnel, participating in meetings and telephone calls with taxing authorities and other third parties, review of transactional documentation, research of technical issues, and the preparation of technical memoranda, letters, e-mails, and other written documentation.

The on-call tax advisory services may be modified from time to time by our mutual written agreement and approval by the Bankruptcy Court.

The Internal Revenue Code and professional standards require that tax advisors advise clients regarding their penalty exposure with respect to the advice they render and the disclosures that may avoid such penalties. The Internal Revenue Code has been amended to increase the disclosures that return preparers are required to include on returns to avoid exposure to penalty. Our tax opinions, memoranda, and similar documents will address disclosures we believe are appropriate to comply with applicable taxpayer and tax advisor/return preparer obligations, including our views as to the level of support for the positions addressed therein in a manner designed to facilitate compliance with tax return disclosure requirements.

### **Out-Of-Scope Services**

Any activities not described as Services, as indicated above under Scope of Services, are not covered by the Fees stated herein. These services will be considered outside the scope of this SOW ("Out-of-Scope Services") and are the

Mr. Jeff McDonald  
Circuit City Stores, Inc.

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November 10, 2008

responsibility of Client to perform on a timely basis unless otherwise agreed by the parties in writing, subject to Bankruptcy Court approval.

### **Responsibilities**

Client shall make all management decisions and perform all management functions in connection with the Services under this SOW. E&Y may assist Client in rendering management decisions or carrying out management functions in connection with the Services, including by providing advice, research material or recommendations, but E&Y will not make any such decisions or perform any such functions. In its sole discretion, E&Y may refuse to take any action to the extent it might be construed as a management decision or a management function.

Client accepts responsibility for the results of the Services. Client's approval of any Services shall not constitute a waiver of any of its rights under this SOW. Client further agrees to establish and maintain internal controls in connection with the Services, including monitoring E&Y's performance under this SOW.

Client shall designate an employee possessing the skill, knowledge and/or experience (but not necessarily the experience to perform the Services) to (1) oversee, (2) evaluate the effectiveness of, and (3) approve, the Services.

In addition, to the extent that SEC audit independence restrictions apply to any relationship between Client and E&Y or any other E&Y Entity, Client represents and warrants to E&Y, on and as of the date hereof, that neither Client nor any of its affiliates has agreed, orally or in writing, with any other tax service provider to limit in any way Client's ability to disclose to any person or entity the tax treatment or tax structure of any transaction that is the subject of the Services. Any such agreement with other tax service providers could impair the independence required of an E&Y Entity providing services to Client and neither E&Y nor any other E&Y Entity shall have any liability or responsibility whatsoever to Client in respect of any such agreement or its consequences.

### **Fees and Expenses**

The Company shall pay E&Y's fees for the on-call tax advisory services, which fees are subject to Bankruptcy Court approval and based on the actual time of E&Y professionals expended in performing the on-call tax advisory services as adjusted annually on July 1 during the term of the Agreement. The actual time



Mr. Jeff McDonald  
Circuit City Stores, Inc.

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required will depend upon the extent and nature of available information, modifications to the scope of our engagement (which may be subject to Bankruptcy Court approval) and other developments that may occur as work progresses. Client shall also pay all applicable taxes incurred in connection with the delivery of the Services or any Advice (except for taxes imposed on E&Y's income). The rates, by level of tax professional, are as follows:

Partner	\$650-900
Executive Director	\$550-725
Senior Manager	\$550-700
Manager	\$450-575
Senior	\$275-475
Staff	\$120-275

In addition, Client shall reimburse E&Y for direct expenses incurred in connection with the performance of the Services. Direct expenses include reasonable and customary out-of-pocket expenses for items such as travel, meals, accommodations and other expenses specifically related to this engagement.

We will submit an itemized and detailed billing statement and we will request payment of our fees in accordance with the United States Bankruptcy Code, the Federal Rules of Bankruptcy Procedure and the Local Rules for the United States Bankruptcy Court for the Eastern District of Virginia and any relevant administrative orders. In addition, we will request reimbursement of our actual expenses related to this SOW, as well as fees for any time (including any time or reasonable expenses of legal counsel) we may incur in considering or responding to discovery requests or participating as a witness or otherwise in any legal regulatory, or other proceeding as a result of our performance of these services. Please note that we may receive volume based rebates from certain vendors (e.g. credit card companies) that are used to reduce overhead charges that would otherwise be passed on to our client.

If, during the term of this SOW, E&Y determines that any additional work is necessary, whether at Client's request or because the complexity of the project increases, E&Y will promptly contact Client to discuss any adjustments to the scope of work or E&Y's fees and obtain Bankruptcy Court approval before proceeding.



Mr. Jeff McDonald  
Circuit City Stores, Inc.

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November 10, 2008

Please indicate Client's acceptance of these additional terms and conditions by executing this SOW in the space provided below and return it to Chip Phillips at your earliest convenience.

Thanks again for your selection of our firm.

Very truly yours,

*Ernst & Young*

AGREED TO BY:

Circuit City Stores, Inc.

By: \_\_\_\_\_

Mr. Jeff McDonald, Tax Director

**Ernst & Young LLP**  
One James Center  
Suite 1000  
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November 10, 2008

Mr. Jeff McDonald  
Tax Director  
Circuit City Stores, Inc.  
9950 Mayland Drive  
Richmond, VA 23233

## **Statement of Work #2 - Tax Advice Regarding Tax Accounting**

Dear Jeff:

This Statement of Work ("SOW") is governed by and subject to the terms and conditions of the Tax Services Agreement dated November 10, 2008 (the "Agreement") between Circuit City Stores, Inc. (the "Company" or "Client") and Ernst & Young LLP ("E&Y"), which was executed in connection with the Company filing a Chapter 11 petition on or around November 10, 2008 with the United States Bankruptcy Court for the Eastern District of Virginia (the "Bankruptcy Court"), and describes certain tax services that E&Y will perform for the Company during the Company's Chapter 11 bankruptcy. Unless modified by this SOW, the terms and conditions of the Agreement continue to apply. Capitalized terms used, but not defined, in this SOW have the meanings set forth in the Agreement.

### **Engagement Team**

Chip Phillips (Partner) and Jon Wilson (Senior Manager) will lead the E&Y team in providing the tax services. If either of these individuals ceases to provide tax services to the Company pursuant to the Agreement, E&Y will so advise the Company and, if that person is replaced, provide the Company with the name of that professional's replacement. Other staff, not identified herein, may be utilized as required to conduct our work in the most efficient manner possible.

### **Scope of Services**

E&Y will provide the following tax advisory services (the "Services") to Client, contingent upon the Bankruptcy Court's approval of our retention in accordance with the terms and conditions that are set forth in the Agreement (inclusive of this SOW):

- Deferred income tax reconciliation assistance and workpaper review.
- Book to tax reconciliation assistance and workpaper review.
- Domestic and/or foreign provision and consolidating provision assistance.

Mr. Jeff McDonald  
Circuit City Stores, Inc.

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- Purchase and divestiture accounting (tax) assistance as required.
- Other tax department administrative assistance related to year-end or quarter-end procedures.

Specifically, the scope of our work will be to provide services in the US to assist the Company with meeting its tax accounting/compliance needs. Our services will be limited to providing assistance under your direction for ultimate review and approval by the Company. E&Y professionals will receive directions from the Company's tax department and all analysis and reconciliations will ultimately be reviewed by Company management.

The Services will not result in an attestation or assurance report or constitute (a) an audit of financial statements in accordance with generally accepted auditing standards, (b) an examination of prospective financial statements in accordance with standards established by the American Institute of Certified Public Accountants or (c) advice or documentation relating to the effectiveness of internal controls over financial reporting under Section 404 of the Sarbanes-Oxley Act. The Services will not include procedures to test compliance with laws and regulations in any jurisdiction, nor shall anything contained in any advice or report, written or otherwise, rendered by E&Y (Collectively, whether in connection with the Services or any other services rendered under or with reference to the Agreement, "Reports") constitute any legal opinion or legal advice with respect to any matter. None of the Service will constitute an opinion by E&Y with respect to the appropriate application of APB 23 to a particular subsidiary of the Company, the need for, or the level of, tax contingency accruals or valuation allowances related to deferred tax assets or any other US GAAP matter. All decisions as to accounting for APB 23 and other income tax provision issues rest with the Company, with which its independent auditors should concur.

The Services may be modified from time to time by our mutual written agreement and approval by the Bankruptcy Court.

The Internal Revenue Code and professional standards require that tax advisors advise clients regarding their penalty exposure with respect to the advice they render and the disclosures that may avoid such penalties. The Internal Revenue Code has been amended to increase the disclosures that return preparers are required to include on returns to avoid exposure to penalty. Our tax opinions, memoranda, and similar documents will address disclosures we believe are appropriate to comply with applicable taxpayer and tax advisor/return preparer



Mr. Jeff McDonald  
Circuit City Stores, Inc.

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obligations, including our views as to the level of support for the positions addressed therein in a manner designed to facilitate compliance with tax return disclosure requirements.

### **Responsibilities**

Client shall make all management decisions and perform all management functions in connection with the Services under this SOW. E&Y may assist Client in rendering management decisions or carrying out management functions in connection with the Services, including by providing advice, research material or recommendations, but E&Y will not make any such decisions or perform any such functions. In its sole discretion, E&Y may refuse to take any action to the extent it might be construed as a management decision or a management function.

Client accepts responsibility for the results of the Services. Client's approval of any Services shall not constitute a waiver of any of its rights under this SOW. Client further agrees to establish and maintain internal controls in connection with the Services, including monitoring E&Y's performance under this SOW.

Client shall designate an employee possessing the skill, knowledge and/or experience (but not necessarily the experience to perform the Services) to (1) oversee, (2) evaluate the effectiveness of, and (3) approve, the Services.

In addition, to the extent that SEC audit independence restrictions apply to any relationship between Client and E&Y or any other E&Y Entity, Client represents and warrants to E&Y, on and as of the date hereof, that neither Client nor any of its affiliates has agreed, orally or in writing, with any other tax service provider to limit in any way Client's ability to disclose to any person or entity the tax treatment or tax structure of any transaction that is the subject of the Services. Any such agreement with other tax service providers could impair the independence required of an E&Y Entity providing services to Client and neither E&Y nor any other E&Y Entity shall have any liability or responsibility whatsoever to Client in respect of any such agreement or its consequences.

### **Fees and Expenses**

The Company shall pay E&Y's fees for the Services, which fees are subject to Bankruptcy Court approval and based on the actual time of E&Y professionals expended in performing the tax accounting advisory services as adjusted



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annually on July 1 during the term of the Agreement. The actual time required will depend upon the extent and nature of available information, modifications to the scope of our engagement (which may be subject to Bankruptcy Court approval) and other developments that may occur as work progresses. Client shall also pay all applicable taxes incurred in connection with the delivery of the Services or any Advice (except for taxes imposed on E&Y's income). The rates, by level of tax professional, are as follows:

Partner	\$650-900
Executive Director	\$550-725
Senior Manager	\$550-700
Manager	\$450-575
Senior	\$275-475
Staff	\$120-275

In addition, Client shall reimburse E&Y for direct expenses incurred in connection with the performance of the Services. Direct expenses include reasonable and customary out-of-pocket expenses for items such as travel, meals, accommodations and other expenses specifically related to this engagement.

We will submit an itemized and detailed billing statement and we will request payment of our fees in accordance with the United States Bankruptcy Code, the Federal Rules of Bankruptcy Procedure and the Local Rules for the United States Bankruptcy Court for the Eastern District of Virginia and any relevant administrative orders. In addition, we will request reimbursement of our actual expenses related to this SOW, as well as fees for any time (including any time or reasonable expenses of legal counsel) we may incur in considering or responding to discovery requests or participating as a witness or otherwise in any legal regulatory, or other proceeding as a result of our performance of these services. Please note that we may receive volume based rebates from certain vendors (e.g. credit card companies) that are used to reduce overhead charges that would otherwise be passed on to our client.

If, during the term of this SOW, E&Y determines that any additional work is necessary, whether at Client's request or because the complexity of the project increases, E&Y will promptly contact Client to discuss any adjustments to the scope of work or E&Y's fees and obtain Bankruptcy Court approval before proceeding.



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Please indicate Client's acceptance of these additional terms and conditions by executing this SOW in the space provided below and return it to Chip Phillips at your earliest convenience.

Thanks again for your selection of our firm.

Very truly yours,

*Ernst + Young*

AGREED TO BY:

Circuit City Stores, Inc.

By: \_\_\_\_\_

Mr. Jeff McDonald, Tax Director



**Ernst & Young LLP**  
One James Center  
Suite 1000  
901 East Cary Street  
Richmond, Virginia 23219  
Tel: 804 344 6000  
www.ey.com

November 10, 2008

Mr. Jeff McDonald  
Tax Director  
Circuit City Stores, Inc.  
9950 Mayland Drive  
Richmond, VA 23233

### **Statement of Work #3 - Accounting Method Services**

Dear Jeff:

This Statement of Work ("SOW") is governed by and subject to the terms and conditions of the Tax Services Agreement dated November 10, 2008 (the "Agreement") between Circuit City Stores, Inc. (the "Company" or "Client") and Ernst & Young LLP ("E&Y"), which was executed in connection with the Company filing a Chapter 11 petition on or around November 10, 2008 with the United States Bankruptcy Court for the Eastern District of Virginia (the "Bankruptcy Court"), and describes certain tax services that E&Y will perform for the Company during the Company's Chapter 11 bankruptcy. Unless modified by this SOW, the terms and conditions of the Agreement continue to apply. Capitalized terms used, but not defined, in this SOW have the meanings set forth in the Agreement.

#### **Engagement Team**

Chip Phillips (Partner) and Jon Wilson (Senior Manager) will lead the E&Y team in providing the tax services. If either of these individuals ceases to provide tax services to the Company pursuant to the Agreement, E&Y will so advise the Company and, if that person is replaced, provide the Company with the name of that professional's replacement. Other staff, not identified herein, may be utilized as required to conduct our work in the most efficient manner possible.

#### **Scope of Services**

E&Y will provide the following tax advisory services (the "Services") to Client, contingent upon the Bankruptcy Court's approval of our retention in accordance with the terms and conditions that are set forth in the Agreement (inclusive of this SOW):

- Identify which legal entities have accrued bonus accounts.
- Analyze the accrued bonus accounts to gain an understanding of the methodology currently being utilized to determine the deductible portion of the accrued bonus accounts at year end.



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- Review benefit plans with the Company's tax department to determine if any portion of the bonus accrual is deductible at year end.
- Determine which legal entities are incorrectly accelerating the deduction for accrued bonuses for tax purposes.
- Consult with the Company as to the appropriate method to utilize on a go forward basis for each respective legal entity, depending on the terms of the benefit plans.
- Calculate the Section 481(a) adjustment for each legal entity.
- Prepare the Form 3115 and supporting statements.
- File the Form 3115 and supporting statements with the IRS National Office.

The Services may be modified from time to time by our mutual written agreement and approval by the Bankruptcy Court.

The Internal Revenue Code and professional standards require that tax advisors advise clients regarding their penalty exposure with respect to the advice they render and the disclosures that may avoid such penalties. The Internal Revenue Code has been amended to increase the disclosures that return preparers are required to include on returns to avoid exposure to penalty. Our tax opinions, memoranda, and similar documents will address disclosures we believe are appropriate to comply with applicable taxpayer and tax advisor/return preparer obligations, including our views as to the level of support for the positions addressed therein in a manner designed to facilitate compliance with tax return disclosure requirements.

### **Responsibilities**

Client shall make all management decisions and perform all management functions in connection with the Services under this SOW. E&Y may assist Client in rendering management decisions or carrying out management functions in connection with the Services, including by providing advice, research material or recommendations, but E&Y will not make any such decisions or perform any such functions. In its sole discretion, E&Y may refuse to take any action to the extent it might be construed as a management decision or a management function.

Client accepts responsibility for the results of the Services. Client's approval of any Services shall not constitute a waiver of any of its rights under this SOW. Client further agrees to establish and maintain internal controls in connection with the Services, including monitoring E&Y's performance under this SOW.



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Client shall designate an employee possessing the skill, knowledge and/or experience (but not necessarily the experience to perform the Services) to (1) oversee, (2) evaluate the effectiveness of, and (3) approve, the Services.

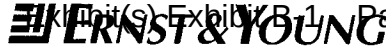
In addition, to the extent that SEC audit independence restrictions apply to any relationship between Client and E&Y or any other E&Y Entity, Client represents and warrants to E&Y, on and as of the date hereof, that neither Client nor any of its affiliates has agreed, orally or in writing, with any other tax service provider to limit in any way Client's ability to disclose to any person or entity the tax treatment or tax structure of any transaction that is the subject of the Services. Any such agreement with other tax service providers could impair the independence required of an E&Y Entity providing services to Client and neither E&Y nor any other E&Y Entity shall have any liability or responsibility whatsoever to Client in respect of any such agreement or its consequences.

#### **Fees and Expenses**

The Company shall pay E&Y's fees for the Services, which fees are subject to Bankruptcy Court approval and based on the actual time of E&Y professionals expended in performing the tax accounting advisory services as adjusted annually on July 1 during the term of the Agreement. The actual time required will depend upon the extent and nature of available information, modifications to the scope of our engagement (which may be subject to Bankruptcy Court approval) and other developments that may occur as work progresses. Client shall also pay all applicable taxes incurred in connection with the delivery of the Services or any Advice (except for taxes imposed on E&Y's income). The rates, by level of tax professional, are as follows:

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In addition, Client shall reimburse E&Y for direct expenses incurred in connection with the performance of the Services. Direct expenses include reasonable and customary out-of-pocket expenses for items such as travel, meals, accommodations and other expenses specifically related to this engagement.



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We will submit an itemized and detailed billing statement and we will request payment of our fees in accordance with the United States Bankruptcy Code, the Federal Rules of Bankruptcy Procedure and the Local Rules for the United States Bankruptcy Court for the Eastern District of Virginia and any relevant administrative orders. In addition, we will request reimbursement of our actual expenses related to this SOW, as well as fees for any time (including any time or reasonable expenses of legal counsel) we may incur in considering or responding to discovery requests or participating as a witness or otherwise in any legal regulatory, or other proceeding as a result of our performance of these services. Please note that we may receive volume based rebates from certain vendors (e.g. credit card companies) that are used to reduce overhead charges that would otherwise be passed on to our client.

If, during the term of this SOW, E&Y determines that any additional work is necessary, whether at Client's request or because the complexity of the project increases, E&Y will promptly contact Client to discuss any adjustments to the scope of work or E&Y's fees and obtain Bankruptcy Court approval before proceeding.

Please indicate Client's acceptance of these additional terms and conditions by executing this SOW in the space provided below and return it to Chip Phillips at your earliest convenience.

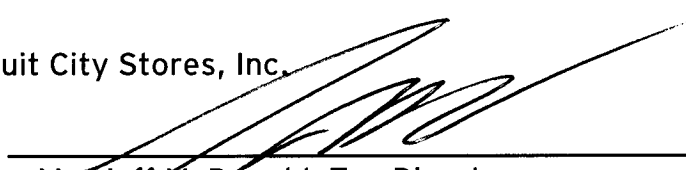
Thanks again for your selection of our firm.

Very truly yours,

A handwritten signature in cursive script that reads 'Ernst &amp; Young'.

AGREED TO BY:

Circuit City Stores, Inc.

By:   
Mr. Jeff McDonald, Tax Director